

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-08 COME-00 TRSE-00

OMB-01 IO-14 CIAE-00 INR-10 NSAE-00 PA-02 ICA-20

SP-02 L-03 STR-07 EUR-12 /099 W

-----110505 280204Z /15

R 280018Z JUL 78

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 1659

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: SUGAR: GEPLACEA MEETING

REF: STATE 184589

1. SUMMARY. THE PURPOSE OF GEPLACEA MEETING IN MEXICO CITY, JULY 24-25 WAS TO ANALYZE THE SUPPLY AND DEMAND SITUATION OF THE WORLD SUGAR MARKET, TO EVALUATE ITS FACTORS AND TO ADOPT MEASURES TOWARD THE SOLUTION OF THE PROBLEMS CAUSED BY DEPRESSED WORLD PRICES. END SUMMARY. FREE TRANSLATION OF GEPLACEA'S PRESS COMMUNIQUE FOLLOWS:

2. THE CURRENT LEVEL OF THE WORLD SUGAR PRICE OF ABOUT SIX CENTS PER POUND IS NOT JUSTIFIED, GIVEN THE CURRENT STATISTICAL POSITION OF THE SUGAR SUPPLY AND DEMAND SITUATION. THE ABOVE CONCLUSION WAS REACHED AT GEPLACEA'S SPECIAL MEETING HELD AT THEIR MEXICO CITY SITE ON JULY 24 AND 25, 1978.

3. BASED ON INTERNATIONAL SUGAR ORGANIZATION STATISTICS, IT WAS DETERMINED AT THE MEETING THAT THE LEVEL OF THE GLOBAL OFFER REGULATED BY THE INTERNATIONAL SUGAR AGREEMENT'S QUOTA SYSTEM IS 12.7 MILLION METRIC TONS WHILE  
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THAT OF ESTIMATED NET IMPORT REQUIREMENTS TO BE MET BY THE QUOTA SYSTEM IS 11.8 MILLION METRIC TONS, REPRESENTING A SURPLUS OF ABOUT 900,000 METRIC TONS. IT WAS FURTHER DETERMINED THAT THE ABOVE SURPLUS MIGHT BE REDUCED BY 50 PERCENT AS A RESULT OF SHORTCOMINGS IN EXPORT CAPABILITIES ANTICIPATED FOR A NUMBER OF MEMBER COUNTRIES OF THE INTERNATIONAL SUGAR ORGANIZATION.

4. WITH THE ABOVE REDUCTION, THE SURPLUS WILL REACH ABOUT 450,000 METRIC TONS, EQUALLING 3.5 PERCENT OF THE LEVEL OF GLOBAL SUPPLY REGULATED BY THE AGREEMENT WHICH AS OUTLINED ABOVE AMOUNTS TO 12.7 MILLION METRIC TONS. A SURPLUS OF THIS MAGNITUDE SHOULD NOT PRODUCE A NEGATIVE EFFECT ON SUGAR PRICES. THE CONSENSUS AT THE MEETING WAS THAT THE NEGATIVE EFFECT PRODUCED RATHER IS A RESULT OF OTHER FACTORS, SUCH AS:

- A) CURRENT DUTY TREATMENT APPLICABLE ON U. S. SUGAR IMPORTS.
  - B) SPECULATION IN THE SUGAR MARKET DUE TO THE U. S. DEMURRAGE IN RATIFYING THE INTERNATIONAL SUGAR AGREEMENT. IN THIS RESPECT, THE REACTION AT THE MEETING WAS THAT A RATIFICATION SOON OF THE AGREEMENT BY THE U. S. WOULD CONSTITUTE A POSITIVE FACTOR TOWARD A MARKET RECOVERY.
  - C) A SUPPLEMENTARY LAW TO BE PROMULGATED BY THE U. S. FOR APPLICATION OF THE AGREEMENT, UPON ITS RATIFICATION.
  - D) THE PROBLEM CAUSED BY THE LACK OF A U. S. SUGAR POLICY.
  - E) HEAVY PRESSURE BY U. S. SUGAR AND BEET ORGANIZATIONS, AIMED AT RECEIVING MORE PROTECTION FROM THE USG IN THE FORM OF SUGAR IMPORT DUTIES.
  - F) EEC'S REFUSAL TO SIGN THE AGREEMENT.
  - G) SIZABLE SUBSIDIES GRANTED TO THE PRODUCERS BY EEC MEM-
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BER COUNTRIES, BEING 2.5 TIMES THE WORLD PRICE.  
H) EEC'S EXPORTS OF ABOUT 3.5 MILLION METRIC TONS TO THE FREE SUBSIDIZED SUGAR MARKET.

5. PURSUANT TO THE EEC SITUATION, THE DOCUMENT SUBMITTED BY THE LATIN AMERICAN AMBASSADORS TO THE EEC AUTHORITIES ON THE OCCASION OF THE 9TH EEC-LATIN AMERICAN MEETING HELD IN BRUSSELS ON JUNE 29, 1978, WAS NOTED AT THE MEXICO CITY MEETING. AMONG OTHER TOPICS, THE DOCUMENT INDICATES: QUOTE ...IT IS NOTICED THAT TO DATE THE EEC HAS NOT SUBSCRIBED TO THE 1977 INTERNATIONAL SUGAR AGREEMENT WHICH ALREADY HAS BEEN SIGNED BY 51 COUNTRIES (38 EXPORTER AND 13 IMPORTER COUNTRIES). THIS HAS AFFECTED THE MARKET AND THE ECONOMY OF MANY SUGAR EXPORTER COUNTRIES IN DEVELOPMENT WHICH CANNOT COMPETE WITH EEC SUBSIDIZED EXPORTS WHOSE PRICES ARE CONSIDERABLY LOWER THAN PRODUCTION COSTS...END QUOTE QUOTE ...THE LATIN AMERICAN COUNTRIES HOPE THAT THE EEC SHALL PRESENT TO THE AD HOC WORKING GROUP A CONSTRUCTIVE AND FLEXIBLE POSITION, ENABLING THEM TO PARTICIPATE IN THE NEAR FUTURE IN THE INTERNATIONAL SUGAR AGREEMENT...END QUOTE

6. AFTER EVALUATING THE MARKET SITUATION, THE PARTICIPANTS OF THE MEXICO CITY MEETING SET UP RECOMMENDATIONS TO THE MEMBER COUNTRIES, IN ORDER TO INFORM THE GOVERNMENTS OF SOME OF THE IMPORTER COUNTRIES ABOUT THE ECONOMIC CRISIS FACED BY THE SUGAR EXPORTER COUNTRIES IN DEVELOPMENT AS A RESULT OF LOW MARKET PRICES. THE RECOMMENDATIONS INCLUDE A SUGGESTION TO THE MEMBER COUNTRIES TO URGE THE GOVERNMENTS OF SOME OF THE IMPORTER COUNTRIES TO ELIMINATE OR AT LEAST CORRECT THE NEGATIVE MARKET FACTORS CITED

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ABOVE.

7. GEPLACEA'S MEETING WAS INAUGURATED BY MRS. GUILLERMINA SANCHEZ MEZA DE SOLIS, UNDERSECRETARY FOR ECONOMIC AFFAIRS OF THE MEXICAN FOREIGN OFFICE, IN BEHALF OF SECRETARY SANTIAGO ROEL.

8. THE MEETING WAS HEADED BY AMBASSADOR RENE MONTES, GUATEMALA'S PERMANENT REPRESENTATIVE AT THE INTERNATIONAL ORGANIZATIONS OF BASIC COMMODITIES. LUCEY

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## Message Attributes

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